Fiscal Services Division

2009 Accounting Action Plan

Fiscal Services Division's Annual Plan
To Enhance Financial Integrity

CalPERS

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2009 Accounting Action Plan

Executive Summary

As part of the Fiscal Services Division's ongoing efforts to enhance the financial integrity and accountability within our program, we present the 2009 Accounting Action Plan. This document represents the Division's fourth effort to improve the administrative and accounting processes by addressing deficiencies identified in recent audits, developing appropriate methods and strategies to address these items, and ensuring controls developed in the past continue to provide the desired outcomes.

In the past four years, the Division has taken numerous and significant measures to improve our controls. We have ensured all audit findings were adequately addressed to prevent repeat findings and this has continued through the 2008 Plan. Pursuant to past commitments, steps have been taken to ensure reconciliations are adequately performed for all general ledger accounts. We have also developed and implemented a training and development program to enhance employee knowledge and skills. Key processes continue to be documented in our efforts to strengthen Sarbanes-Oxley compliance and accountability. Lastly, we have conducted reviews to ensure policies and procedures which had been implemented in the past to improve controls continue to be followed.

Looking forward to 2009, we seek to build on our past successes by analyzing and addressing processes which have not been included in our past action plans. The Fiscal Services Division will look at improving the current process used for the development of the Comprehensive Annual Financial Report. As part of our continuous improvement efforts, we will participate in the seamless interface of the PeopleSoft Financials and My|CalPERS systems and make improvements in our processes and procedures related to the account reconciliations. We will also address all current findings in the latest 2008 Macias, Gini & O'Connell, LLP, Management Letter (Exhibit A).

As our employees are our most important asset, we will seek out, identify, and employ new methods to improve our divisional recruitment and retention processes. We value growth and development in our employees and seek to maintain their engagement by fully empowering them and removing barriers which have traditionally prohibited them from taking ownership in the products they produce. We look to our employees to make improvements to our processes to better safeguard our members' financial security and exceed departmental expectations.

Goal and Objectives

The goal of our fourth action plan is to continue to strengthen our internal accounting and administrative controls. The Fiscal Services Division will accomplish this goal by completing the following objectives:

Objective 1 – Address current findings in the latest Macias, Gini & O'Connell, LLP Management Letter.
Objective 2 – Review and track general ledger account reconciliations to ensure reconciliations are completed timely.
Objective 3 – Assist with and track the successful interface of the PeopleSoft Financials and My|CalPERS systems.
Objective 4 – Continue Phase II of the Fiscal Services Division's Operating Plan which will provide documentation of the higher risk accounting processes.
Objective 5 – Continue development of staff knowledge and skills to maintain the level of expertise required to ensure high quality of services are provided to our customers.

Fiscal Year (FY) 2007-08 Management Letter Items

A. Accounting for Service Credit Purchases

Certain members of CalPERS are eligible to purchase service credits to increase future retirement benefits. The cost to purchase service credits is based on formulas established by law and varies based on the amount of service credits purchased and the membership type. Payment options include both lump sum payments and installment agreements with terms up to 180 months.

As part of the Management Letter issued by Macias, Gini & O'Connell, LLP, the auditors noted that the Fiscal Services Division currently records receivables for service credits purchased on an installment plan and recognizes the related contributions when the installment payments are received. Generally accepted accounting principles require that service credit purchases be recorded as receivables and recognized as contributions upon execution of the agreement. The generally accepted accounting principles further requires that receivables be recorded at their net realizable value, which is the net amount expected to be collected under the agreements. The auditors recommended that the Fiscal Services Division properly record service credit purchased under installment agreements in accordance with the generally accepted accounting principles.

For the 2009 Accounting Action Plan, the Fiscal Services Division will work with the Member Services Division to:

- Review and implement procedures to recognize service credit purchase contributions upon execution of the installment agreement.
- Analyze prior repayment patterns and record a fiscal year-end entry to estimate an allowance for doubtful accounts.

B. Accounting for Real Estate Investments

The Fiscal Services Division records real estate investment transactions based on the monthly or quarterly financial statements submitted by the real estate partners. The real estate partners also submit year-end audited financial statements to CalPERS. However, during the annual external audit performed by Macias, Gini & O'Connell, LLP, the auditors discovered that the Fiscal Services Division does not reconcile the partners' audited financial statements to CalPERS' general ledger or the partners' monthly or quarterly financial statements, which increases the risk that adjustments made during the partnership audit are not properly reflected in the general ledger.

The Fiscal Services Division will implement a reconciliation process to compare the audited financial statements with the monthly or quarterly financial statements reported by the real estate partners for the same period using the new Automated Real Estate Investment System (AREIS). Any discrepancies noted will be brought to the attention of the partners for explanation or adjustment.

The Fiscal Services Division will implement the following changes in procedures to validate that partnership audit adjustments are properly reflected in the CalPERS general ledger:

- A tracking sheet will be developed to verify all partners have submitted audited financial statements.
- Reconciliations will be developed to compare and identify any differences between the real estate partners' audited financial statements and the partners' monthly or quarterly financial statements reported for the same period using AREIS.
- The real estate partners will be notified on a monthly or quarterly basis of any discrepancies between the audited and non-audited statements. Any necessary adjustments will be made on the financial statements for the following period.

C. Master Reconciliation – Public Employees' Retirement Fund

The Fiscal Services Division prepares the Master Reconciliation, which reconciles the Public Employees' Retirement Fund investment transactions (excluding real estate) recorded in the general ledger system (PeopleSoft) with the transactions recorded by State Street Bank. These reconciliations are critical controls that ensure accuracy and completeness of transactions. During the FY 2003-04 year-end process, two reconciling items representing performance and management fees had not been resolved and were carried over to the following fiscal years. In December 2008, an adjusting entry was posted to clear these two reconciling items.

The external auditors recommended that the Fiscal Services Division needed to investigate and resolve all the discrepancies in the Master Reconciliation in a timely manner. The external auditor also noted that reconciling items should not be carried forward to future periods unless they represent legitimate timing differences.

The Fiscal Services Division will consistently and accurately reconcile all the general ledger accounts with the transactions recorded by State Street Bank. The following steps will be implemented to improve the current accounting process:

- Develop and implement an aging report to monitor and clear reconciling items in a timely manner.
- Ensure all reconciling items carried forward are legitimate and properly documented.
- Enhance internal controls to improve management's oversight to ensure reconciling items are resolved within established timeframes.
- Update the procedures manual, train identified staff, and integrate process enhancements and quality assurance checks to ensure reconciling items are resolved in a timely manner.

D. Account Reconciliations – Deferred Compensation Fund

The Deferred Compensation Fund receives management and administrative fee rollover transfers from Supplemental Income Plan portfolios. In the Deferred Compensation Fund, these transfers provide funds for payment of vendor invoices which include investment management fees and internal CalPERS administration expenses.

Although the Fiscal Services Division performs monthly reconciliations of the Deferred Compensation Fund to State Street Bank's cash statements, additional analysis of the revenue and payable accounts in the Deferred Compensation Fund would ensure accurate recording of revenue and payables.

As part of the Management Letter issued by Macias, Gini & O'Connell, LLP, the auditors recommended that the Fiscal Services Division develop a formal policy that requires a periodic analysis and reconciliation of the Deferred Compensation Fund account balances.

The Fiscal Services Division will perform the following actions to improve the accounting processes within the Deferred Compensation Fund:

- Establish new general ledger accounts and accounting procedures to separate out management and administrative fees. Additionally, the revenue and payables for management and administrative fees will be further separated by plan. The separation of payables and revenues by plan within the Deferred Compensation Fund will provide for a more efficient analysis of the Deferred Compensation Fund account balances.
- An analysis of the Deferred Compensation Fund account balances will be performed on a quarterly basis.

E. Allocation of Investment Balances – Supplemental Contributions Program and IRC 457 Funds

CalPERS has expanded the investment options in the Supplemental Contributions Program to include each of the eighteen investment options provided in the IRC 457 Plan. The external auditors noted that although the third party administrator maintained records of individual participant accounts, State Street Bank does not account for the investments of the Supplemental Contributions Program and IRC 457 in separate portfolios. This resulted in the Fiscal Services Division having to manually allocate the investment balance and the related gains and losses based on net asset values of participant contributions reported by the third party administrator. This manual allocation increases the risk that investment-related activities will be misstated in the financial statements.

To alleviate the risk of misstating the investment-related activities, the auditors recommended reconsideration of the current practice of manually allocating investment balances and gains and losses and seek enhanced reporting from State Street Bank in this area.

The Supplemental Income Plan program investment structure has undergone fundamental changes in FY 2007-08 and FY 2008-09. This has resulted in the need for revised accounting methods and procedures at both State Street Bank and CalPERS. State Street Bank accounts for investment holdings by portfolio and in this structure, multiple funds use the same portfolios.

State Street Bank currently provides multi-class financial reporting which separates financial information for each portfolio by fund, but not all of the data is readily available. Specifically, the investment balances and gains and losses are not separated out on State Street Bank reports.

Since CalPERS must account for holdings by program and governmental fund, it is necessary to record financial information for each portfolio by separate fund. The Fiscal Services Division was able to appropriately record financial information for each fund in FY 2007-08 but had to obtain some of the information manually.

The Fiscal Services Division will work with State Street Bank to provide alternative reporting options which will separate financial data, such as investment balances and gains and losses by plan. The intent is to eliminate the Fiscal Services Division’s manual calculation processes and use State Street Bank’s automated reports.

F. Investment Disclosures

The Fiscal Services Division utilizes investment data which is provided by State Street Bank to prepare the financial statement disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 40. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks. These investment risks include; credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

During the annual external audit performed by Macias, Gini & O'Connell, LLP, the auditors discovered numerous errors and inconsistencies in the disclosures, as the Fiscal Services Division did not independently verify whether the amounts provided by State Street Bank were accurate or in conformity with the provisions of GASB Statement No. 40. Furthermore, the Fiscal Services Division did not ensure that State Street Bank provided the underlying data in a timely manner, which created challenges in meeting the audit deadline.

In order to mitigate the Management Letter finding, the Fiscal Services Division will:

- Work with State Street Bank to develop a GASB Statement No. 40 query to provide debt securities data as of June 30, 2008.
- Reconcile the data from the query to the general ledger to the established and known values of all CalPERS holdings as reported in the year-end financial statements.
- The resulting GASB 40 disclosure information will be provided to Macias, Gini & O'Connell, LLP staff for concurrence of the approach and acceptance of the results. If approach and results for FY 2007-2008 data are acceptable for audit purposes, then the same approach will be applied to the FY 2008-09 investment data.
- A quarterly reconciliation process will be established.

Additionally, the Fiscal Services Division independently tracks and validates the Alternative Investment Management Program activities by performing reconciliations with State Street Bank and PrivateEdge, the program's third party administer, prior to updating the general ledger. The Fiscal Services Division reconciles the Alternative Investment Management partner financial statements to the quarterly reports prepared by PrivateEdge.

The Alternative Investment Management program enters into partnership agreements with external private equity investments where CalPERS commits to invest an agreed upon amount during a specific time period. Each year the total amount committed, funded, and unfunded are disclosed as a note to the financial statements.

During the annual external audit performed by Macias, Gini & O'Connell, LLP, the auditors discovered errors in the financial statement disclosure of unfunded alternative investment commitments. Although the disclosed amounts were corrected, the auditors recommended CalPERS implement procedures to independently validate the unfunded commitments reported by PrivateEdge are consistent with partner financial statements.

The Fiscal Services Division will implement the following changes in procedures to prevent future errors in unfunded commitments disclosure:

- Establish a quarterly reconciliation process to verify the unfunded commitments disclosed on partner financial statements are accurate and consistent to the PrivateEdge Report of Alternative Investments.
- Request PrivateEdge closely monitor management fee transactions and their effect on outstanding commitments.
- Value the foreign partnership commitments using the exchange rate ending on June 30, as requested by Macias, Gini & O'Connell, LLP.

G. Preparation of Trial Balances and Audit Readiness

In the Management Letter issued by Macias, Gini & O'Connell, LLP, the auditors noted that subsequent to providing the auditor with the June 30, 2008 trial balances, the Fiscal Services Division recorded approximately 60 journal entries, which changed the account balances and transaction totals in numerous funds. Since the information is used to determine sample sizes, conduct test of details, and perform analytical procedures, the changes created considerable inefficiencies in the audit process for both the Fiscal Services Division and the auditors. The significant number of journal entries resulted from untimely closing procedures and reconciliations, as well as the timing of information received from third parties.

The auditors recommended that the Fiscal Services Division assess its resources and existing workload in order to establish a reasonable timeline for closing the books and preparing trial balances. These trial balances should reflect all accruals, adjustments, and closing journal entries, other than certain adjustments for real estate, private equity investments, and long term care valuation, which are dependent upon information provided by third parties.

The Fiscal Services Division will evaluate its resources, existing workload, and current procedures to ensure the trial balances provided to the auditors reflect all accruals, adjustments, and closing journal entries, other than certain adjustments for real estate, private equity investments and long term care valuation, which are dependent upon third party information. To accomplish this, the Fiscal Services Division will create a policy stating that there will be no journal entries posted to the general ledger for the previous fiscal year after the closing date, unless approved by the Fiscal Services Division Chief and/or Assistant Division Chief(s) and the external auditors.

H. Evaluation of Contingencies

As part of the audit procedures, Macias, Gini & O'Connell, LLP, make inquiries of CalPERS' general counsel, as well as outside attorneys regarding pending litigation, claims, and assessments. Generally accepted accounting principles require that contingent losses be accrued for matters in which a material loss is probable and can be reasonably estimated. If both conditions have not been met, contingent losses must be disclosed when it is at least reasonably possible that a loss may have been incurred. In the attorneys' responses, the auditors identified a contingent loss which was not properly disclosed in the draft financial statements. The Fiscal Services Division subsequently updated the note disclosures to reflect the contingency; however, current procedures are not sufficient to ensure that contingencies will be accrued or disclosed in accordance with the generally accepted accounting principles.

The Fiscal Services Division will complete the following actions to ensure contingent losses are disclosed properly:

- Add supplementary language to the legal confirmation letters which instructs respondents to submit a courtesy copy of their response to the Fiscal Services Division's Financial Reporting Unit.
- Consult with Macias, Gini & O'Connell, LLP, to establish the amount of any reported contingent losses due to pending litigation that should be considered material.
- Establish and maintain a log of each legal confirmation letter mailed and monitor receipt of each response.
- Establish a review of response letters to determine whether or not any pending litigation exists which has the potential of resulting in a material loss to CalPERS.
- Consult with the Legal Office to determine whether any material contingent loss should be accrued (matters in which a material loss is probable and can be reasonably estimated) or disclosed in the notes to the basic financial statements.

I. Management's Discussion and Analysis

As part of the Comprehensive Annual Financial Report, the Fiscal Services Division prepares a Management's Discussion and Analysis Section which introduces the basic financial statements and a discussion of the reasons for changes in financial position and results of operations compared to the prior year. During the external audit, auditors noted that incorporating the unique perspective of the managers responsible for key activities would enhance the usefulness and improve the users' understanding of the financial statements. Appropriate personnel in the Investment Office, Benefit Services Division, and Health Benefits Branch, at a minimum, should be involved in the preparation of the Management's Discussion and Analysis Section and should provide reasons for changes and known facts, conditions, or decisions which are expected to have a significant effect on the financial position or results of operations.

The Fiscal Services Division has sought and implemented input from appropriate personnel in pertinent CalPERS program areas regarding the Management's Discussion and Analysis. However, this has proven to be challenging since pertinent information is not available until after the general ledger has been closed, data has been compiled, and comparisons made; thus, adding delays in the Comprehensive Annual Financial Report completion schedule.

To ensure narrative explanations of the significant changes in the financial positions and the results of operation from management responsible for related activities are included in the Management's Discussion and Analysis Section, the Fiscal Services Division will:

- Explore the feasibility of moving up internal review deadlines to allow sufficient time for in-depth analysis from other divisions. Collaborate with the Public Affairs Office earlier in the year to implement appropriate revisions, additions, and changes.
- Work closely with the CalPERS Financial Reporting Committee to discuss financial reporting enhancements and the implication of program changes on financial reporting.
- Develop guidelines for explanations of significant changes in financial position and results of operations which conform to the GASB Statement No. 34 directives. This directive establishes the financial reporting standards for the Management's Discussion and Analysis Section as it applies to state and local governments.
- Identify key individuals within the enterprise who will provide narrative information.
- Work with personnel from all pertinent program areas to analyze input to ensure compliance with the financial reporting standards and to avoid redundancy in the Management's Discussion and Analysis Section.

J. Payment of Investment and Administrative Expenses – IRC 457, SPOFF and SCP Funds

As part of the external audit performed by Macias, Gini & O'Connell, LLP, auditors observed that administrative and investment management fees for the IRC 457 Fund, State Peace Officers' and Firefighters Fund (SPOFF), and the Supplemental Contributions Program Fund (SCPF) were calculated by the State Street Bank, and were not independently validated by the Fiscal Services Division prior to posting to the general ledger. This resulted in CalPERS being billed twice for the same services and excess transfers being performed. The auditors recommend the Fiscal Services Division independently verify fees calculated by State Street Bank prior to posting to the general ledger. Additionally, the fee calculations included in the invoices generated by third party vendors for investment and administrative expenses should be verified prior to payment being made. CalPERS should take measures to encourage the third party vendors to send out their invoices in a timely manner.

The Fiscal Services Division will perform the following actions to improve accounting processes within the Deferred Compensation Fund:

- Implement procedures to verify fees calculated by State Street Bank, prior to posting to the general ledger.
- Implement procedures to verify fee calculation charges on third party invoices.
- Work with the Investment Office to ensure these third party invoices are received as soon as possible and independently verify the fees are accurate before making payment.

K. Administrative Expense Billings from Public Employees' Retirement Fund to Other CalPERS Funds

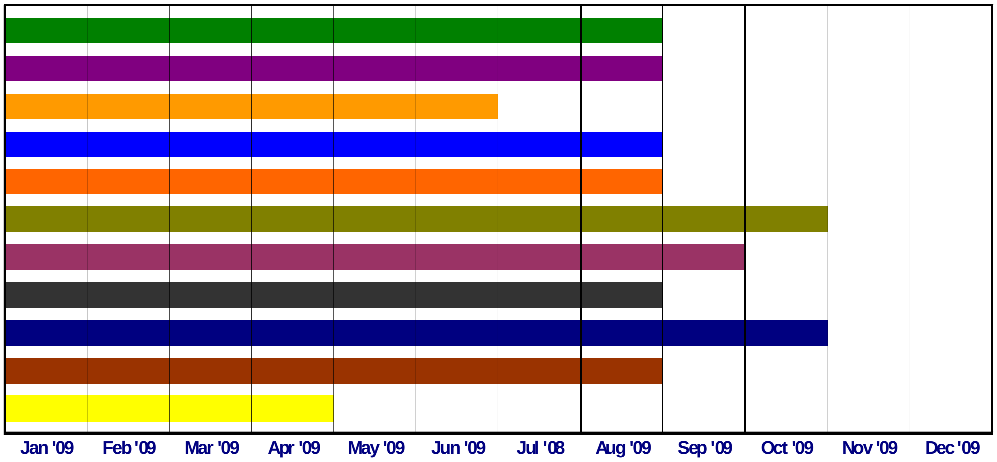
Administrative expenses are initially charged to the Public Employees' Retirement Fund. CalPERS then bills and charges these administrative expenses to other CalPERS funds from the Public Employees' Retirement Fund, either monthly or quarterly depending on the fund that is being billed. In the past, these billings were not conducted on a timely nor consistent basis.

The Fiscal Services Division developed written procedures for the billing of administrative expenses. However, the external auditors had noted that certain charges were not billed and paid timely in other funds. To ensure that the billings and transfers are completed timely, the Fiscal Services Division will ensure that the following are accomplished on a monthly basis:

- Emails are sent to the accountants in charge of various funds (and their managers) notifying them of the billed amounts.
- Confirm the availability of funds.
- Fund transfers are prepared and posted.
- Fund transfers are tracked in a status log to ensure timeliness.

Timeline for Resolving FY 2007-08 Management Letter Items

The table below represents the proposed timeline for resolving the FY 2007-08 Management Letter Items.



2007-08 Management Letter Items

A. Accounting for Service Credit Purchases

B. Accounting for Real Estate Investments

C. Master Reconciliation - Public Employees' Retirement Fund

D. Account Reconciliations - Deferred Compensation Fund

E. Allocation of Investment Balances - Supplemental Contributions Program and IRC 457 Funds

F. Investment Disclosures

G. Preparation of Trial Balances and Audit Readiness

H. Evaluation of Contingencies

I. Management's Discussion and Analysis

J. Payment of Investment and Administrative Expenses - IRC 457, SPOFF and SCP Funds

K. Administrative Expense Billings from Public Employees' Retirement Fund to Other CalPERS Funds

Financial Integrity – Account Reconciliations

Account Reconciliations are an essential component of the financial control environment. Reconciliations validate accounting controls are working and records are complete and accurate. The 2009 Accounting Action Plan continues this reconciliation control process which started with the 2006 Plan.

In 2006, procedures for non-reconciled general ledger accounts were documented. The 2007 and 2008 Accounting Action Plans assured the procedures and all accounts were reconciled. The Fiscal Services Division will continue this account reconciliation control effort by verifying reconciliations are prepared monthly, within thirty days of the preceding month.

For the 2009 Plan, the Fiscal Services Division will:

- Enhance the general ledger reconciliation training package and conduct the annual training sessions.
- Assess the use of the control tracking and evidence review logs.
- Assess the checklist usage by sections/units.
- Determine the status of each fund and general ledger accounts reconciliations by fund.
- Update the general ledger account reconciliation spreadsheet master file.
- Review all funds' procedures for usability and completeness.
- Assess accounting 30-day reconciliation policy for acceptance and usage.

Financial System Integration into Pension System Resumption Project

The Fiscal Services Division is providing significant resources on the Financial System Integration into Pension System Resumption Project (FSIP). The project began in 2008 when it was determined a gap existed between the My|CalPERS application (which was being designed and developed by the Pension System Resumption Project) and the financial system which utilizes a PeopleSoft Financials application. At the beginning of 2008, an effort was made to assess the gap between the two applications (systems). The result of this effort was the development of approximately 60 requirements which would need to be met by the PeopleSoft Financials system, with some modifications to the application being developed by the Pension System Resumption project. This work was accomplished using CalPERS subject matter experts directed by a team of Accenture consultants.

Subsequent work is required to enable the Pension System Resumption application to interface with the accounting application. This includes detailing the requirements, developing the Functional and Technical Design documents, building the design into the PeopleSoft Financials application, and testing and implementation. The work is being accomplished under Accenture's direction by CalPERS resources in conjunction with Accenture consultants. The goal is to attain a seamless interface of receivables and payments between the PeopleSoft Financials and My|CalPERS systems. FSIP is expected to be implemented with the Pension System Resumption Project.

The timely execution of this project is critical to Pension System Resumption Project's (My|CalPERS) success. The Fiscal Services Division is the primary program area affected by FSIP and is working with "Stakeholder Divisions" (Employer Services Division, Employer and Member Health Services, Benefit Services Division, Actuarial Office, and Member Services Division). While the Fiscal Services Division provides communication and works with the other divisions to provide subject matter experts to the project, it serves as the lone program division approving the various phases of the project.

Because the accomplishment of FSIP is critical to the success of the Pension System Resumption Project, the Fiscal Services Division has committed resources to the timely completion of this project. As a result, Division management believes it is prudent to provide an ongoing status report to the Accounting Action Plan Steering Committee to apprise them of the progress of the project and to alert them to any possible impact to other Accounting Action Plan tasks.

Each month, throughout 2009, a brief report will be presented to the Steering Committee, orally, and in written form, providing a high level status on the project and a recap of the Division's resource commitment specifically disclosed in terms of numbers of affected staff and estimated hours. In addition, any potential challenges, delays, changes will be presented, as well as policy and/or procedure changes necessitated by the project.

Operating Plan

The Fiscal Services Division has been developing the Operating Plan since calendar year 2005 as a commitment to strengthen compliance with Sarbanes-Oxley and maintain appropriate level of documentation to ensure adequate internal control and accountability. The Operating Plan is a uniform and comprehensive document which provides a road map of each unit's operation. The Operating Plan is intended to be used as a management tool and reference guide.

The Operating Plan includes the following components:

- Phase I – Includes documentation for each unit as outlined below:
  Section A - Unit Mission/Purpose
  Section B - Unit Goals and Objectives
  Section C - Unit Organizational Chart
  Section D - Unit Process List
  Section E - Workload Statistics
  Section F - Activity Analysis
  Section G - Monthly/Yearly Work Plan
  Section H - Calendar of Events
  Section I - Performance Measures

- Phase II - Consists of process maps and narratives for the major processes within each of the Division's units. These documents identify key roles and provide descriptions of major activities for each process.

The progress of the Operating Plan documentation is summarized below:

- Phase I - This phase was completed in FY 2005-06 (included in the 2006 Accounting Action Plan). Following management's plan to update the unit plans every two years, the Phase I sections were updated in FY 2007-08 (included in the 2008 Accounting Action Plan).

- Phase II - All units' processes were prioritized and consolidated within the Division according to functionality, visibility, backup availability, and audit findings. Processes were documented in priority order. The documentation of sixteen* high priority processes was completed in FY 2006-07 (included in the 2007 Accounting Action Plan). An additional fifteen processes were documented in FY 2007-08 and the latter half of calendar year 2008 (included in the 2008 Accounting Action Plan).

  ** Documentation was scheduled for seventeen processes. One process was postponed to FY 2007-08 due to a system upgrade.*

In 2008, the Strategic Management Services Division offered assistance in the Phase II process documentation as they were able to put in dedicated resources and processes could be documented in bulk at a much faster pace. According to Strategic Management Services Division's schedule, the process documentation is targeted for completion by the end of August 2009 and their proposed schedule by unit is listed in the table below.

Unit	**Estimate Timeframe**
Budget Management	End by 09/12/2008 (completed)
Administrative Accounting	End by 12/05/2008 (completed)
Fund Accounting	End by 01/31/2009 (in process as of 1/16/09)
Retirement Program Accounting	End by 02/27/2009
Cashiering	End by 04/17/2009
Investment Accounting	End by 06/19/2009
Financial Reporting (FR)	End by 08/28/2009
System Support (SS)	End by 08/28/2009
Collections	End by 08/28/2009
Internal Control	End by 08/28/2009
Management Services	End by 08/28/2009

In 2009, the Fiscal Services Division will continue to coordinate with the Strategic Management Services Division for unit process documentation. In addition, we will document the following processes:

#	Unit	Processes
1	FR	Annual Audit - Prepared-by-Client List
2	FR	Annual Audit - Adjustment Implementation
3	FR	GFOA – Certification Program submission
4	FR	GFOA – Special Review Committee (CAFR)
5	FR	Financial Reporting Committee
6	SS	Develop/test system enhancements
7	SS	In-house Technical Liaison with ITSD
8	SS	Develop/coordinate PeopleSoft Training

Training Implementation

The Fiscal Services Division will continue with the Accounting Action Plan objectives and the Division's commitment to provide each employee with the opportunity to attend job required, job related, and/or career development training classes to prepare for advancement and job enrichment which will enhance each individual's expertise and abilities in their current position.

Building on the information compiled from the prior Accounting Action Plans, the Fiscal Services Division took proactive steps to ensure that the Division maintained staff with the level of expertise required to deliver the high quality of services provided to CalPERS' customers (members, employers, and employees). These steps included the adoption of a division-wide training policy, development of a training handbook, establishment of a centralized training repository, and setting up the initial framework for a mentorship program. The reference materials were presented to the Fiscal Services Division staff and included the tools needed to adequately understand what types of training is available for each classification, the time allotments for training, and the steps on how to obtain any necessary training. As the needs of the Division and the focus of the customers change, these materials will be adjusted. Each subsequent action plan will include a review of these materials to ensure the information is kept current.

To achieve the objectives of the current Accounting Action Plan, the Fiscal Services Division will continue to gather, compile, and update the policy and job training materials established during the 2008 Plan. Additionally, the Fiscal Services Division will work with supervisors and managers to establish a mentorship program that will assist with on-the-job training. These mentors will act as guides to assist staff with the development of essential skills necessary to complete their daily tasks and meet fiscal expectations. Lastly, to assist new staff and newly appointed supervisors/managers, the Fiscal Services Division will develop and implement two internal training classes which will help the new staff become acquainted with the Fiscal Services Division and the policies and procedures.

To continue with the commitment to provide staff with training resources needed to enhance their knowledge and skills, the Fiscal Services Division will:

- Establish mentorship program throughout the Division.
- Develop and implement internal training class for staff new to the Division.
- Develop and implement internal training class for new Division supervisors/managers.
- Review and continue to gather information which will be incorporated into the established training reference materials.

Risk Assessment Review

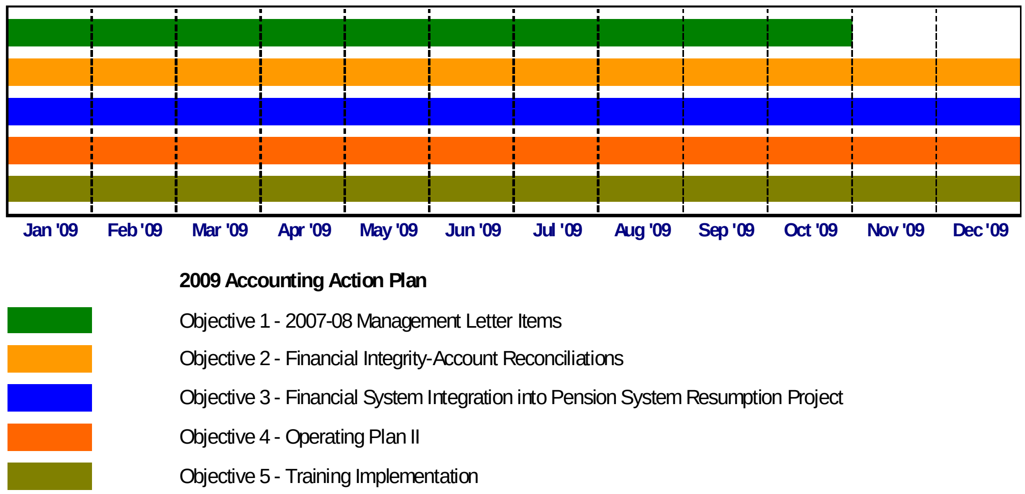
The Fiscal Services Division's vision is to be the nation's leader in public pension fund accounting. To achieve this goal, it is necessary to follow all pertinent accounting regulations. The Statement on Auditing Standards Number 109 (SAS 109), *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement,* went into effect in December 2006. SAS 109 requires all entities to implement a risk assessment process that identifies, analyzes, and manages risks relevant to the preparation of financial statements that are presented in conformity with generally accepted accounting principles.

During the 2008 Accounting Action Plan, the Fiscal Services Division completed risk assessments for all CalPERS funds and sub-funds. These risk assessments were reviewed and a verbal approval was obtained from the external auditors. The auditors also noted that the provisions of SAS 109 should be ongoing and documentation should continue as part of the annual process. These results were reported to the Accounting Action Plan Steering Committee.

For the 2009 Plan, the Fiscal Services Division will continue to monitor and document the risk assessment for all CalPERS funds and sub-funds and will also continue to determine any controls that will be needed to prevent a material misstatement on the financial statements. Additionally, other areas that are being addressed through the Accounting Action Plan, such as the Financial Reporting Committee, will enhance our efforts in addressing SAS 109.

Timeline for Completion of 2009 Accounting Action Plan

The table below represents the proposed timeline for resolving all of the 2009 Accounting Action Plan Objectives.



Conclusion

The Fiscal Services Division will continue to implement internal controls which will further ensure financial integrity through the processes identified in this plan. The primary objective of this plan is to:

- Reconcile all appropriate accounts.
- Train and develop all accounting staff to meet fiscal expectations and customer needs.
- Document accounting processes.
- Assist and track the interface of the PeopleSoft Financials and My|CalPERS systems.
- Address outstanding audit findings identified by our external auditors.
- Improve the process used to develop the Comprehensive Annual Financial Report.
- Continue our risk assessment efforts.

The Fiscal Services Division will continue to increase efficiency and strengthen control of all funds and programs maintained by CalPERS. The Fiscal Services Division is committed to the growth and development of our staff. Our commitment to our staff will further enhance our financial integrity by retaining our most valuable resource and meeting our complex accounting needs. The annual accounting action plan represents our continued review and evaluation of the fiscal processes to exceed the needs of the department and safeguard our members' financial security.

Exhibits

Exhibit A – Macias, Gini & O'Connell, LLP, Management Letter